

## Northeast deals dominate primary offerings

27-Sep-2012 18:32

NEW YORK, Sept 27 (Reuters) - The Port Authority of New York and New Jersey advanced its \$2 billion sale of taxable, 50-year bonds one day to Thursday, pricing the deal at a spread of 165 basis points over 30-year Treasuries with a coupon of 4.458 percent, according to a market source.

The spread was at the lower end of the range of 160 to 180 basis points that was preliminarily suggested. The bonds, which are rare because of their long maturity, are the authority's biggest-ever taxable sale. Its previous record for a taxable deal was a \$1 billion offering in 2011.

Jaime Durando, a managing director at RBC Capital Markets, the coordinating bookrunner for the underwriters, said: "The Port Authority transaction attracted interest from a wide range of global investors, with the greatest concentration coming from insurance companies and money managers."

More than \$2.75 billion of orders were placed for the debt, the market source said.

The Port Authority's new debt was priced at a slightly tighter spread than last year's offering. The spread for a sale of 40-year bonds in 2011 was set at 185 basis points over comparable 30-year Treasury debt, the market source added.

Another major offering on Thursday came from Massachusetts, which sold \$1.2 billion of general obligation revenue anticipation notes in competitive bidding at a true interest cost of 0.097 percent, the lowest interest rate the state has ever received on any notes, according to Colin MacNaught, the state's assistant treasurer for debt management.

The state got a total of 102 bids from 16 firms altogether for the tax-exempt notes offered in two series, one that matures in April 2013, with the other maturing in May 2013.

Morgan Stanley and J.P. Morgan were the biggest overall winners, taking home \$450 million of Series A notes and \$200 million of Series B notes respectively, MacNaught said.

"We're really, really excited," MacNaught said. "I think it speaks to the credit of the commonwealth that investors are seeing our paper in such great demand."

Investors were also looking ahead to one of the biggest deals on next week's calendar, a \$2.86 billion offering of unemployment compensation bonds from Pennsylvania's Economic Development Financing Authority.

Pennsylvania officials said that last week that employers in the state could save \$100 million with the deal. The savings would come from the lower interest rate the state will pay to borrow money from investors, compared to the rate charged by the federal government, which loaned money to states during the recession so they could pay out unemployment benefit claims.

The sale consists of three series of bonds. Series C is \$301.8 million of variable-rate demand revenue bonds, and the other two series are fixed-rate revenue bonds, according to the preliminary official statement.

The \$2.256 billion fixed-rate portion of the deal will have a retail order period on Monday, with institutional pricing on Tuesday through two separate lead underwriters - Citigroup and Bank of America Merrill Lynch.

The variable-rate bonds are scheduled to price at a later date through underwriter PNC Capital Markets.

The \$3.7 trillion muni market has seen a spate of similar deals lately, as states seek to repay obligations to the federal government, shore up their unemployment funds and capitalize on low borrowing rates.

The recession led to an increase in jobless claims in many states, and a concurrent rise in the number of people applying for unemployment insurance benefits. Simultaneously, some employers, who pay into unemployment funds through state payroll taxes, shut their doors, causing the funds to run low.

In June, Fitch Ratings noted that 22 states owed the federal government more than \$29 billion for loans they took out to make benefits payments to unemployed workers.

In Thursday's secondary market for munis, prices on top-rated bonds mostly rose, sending the 10-year yield down 2 basis points to 1.71 percent on Municipal Market Data's benchmark scale.

The yield on 30-year bonds also fell 2 basis points to 2.88 percent, according to MMD, a unit of Thomson Reuters.

(Reporting by Hilary Russ, additional reporting by Joan Gralla)